

MISSOURI DEPARTMENT OF TRANSPORTATION

Basic Financial Statements

June 30, 2003

(With Independent Auditors' Report Thereon)

MISSOURI DEPARTMENT OF TRANSPORTATION

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Independent Auditors' Report

Missouri Highway and Transportation Commission:

We have audited the accompanying financial statements of the governmental activities, the State Highways and Transportation Department Fund, the State Road Fund, and the aggregate remaining fund information of the Missouri Department of Transportation (the Department) as of and for the year ended June 30, 2003, which collectively comprise the Department's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Department's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in note 1, the financial statements of the Missouri Department of Transportation are intended to present the financial position and the changes in the financial position and cash flows, where applicable, of only that portion of the governmental activities, each major fund, and the aggregate remaining fund information of the State of Missouri that is attributable to the transactions of the Department. Accordingly the financial statements do not include financial data for the Department's legally separate component units or other transactions of the State of Missouri that are not attributable to the Department. They do not purport to, and do not, present fairly the financial position of the State of Missouri as of June 30, 2003 and the changes in its financial position and its cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the State Highways and Transportation Department Fund, the State Road Fund, and the aggregate remaining fund information of the Department, as of June 30, 2003, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in note 2, the Department adopted the provisions of Governmental Accounting Standards Board Statement No. 40, *Deposit and Investment Risk Disclosures*, an Amendment of GASB Statement No. 3, during the year ended June 30, 2003.

In accordance with *Government Auditing Standards*, we have also provided our report dated September 26, 2003 on our consideration of the Department's internal controls over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying management's discussion and analysis and budgetary comparison information on pages 3 through 9 and 37 through 39, respectively, are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Department's basic financial statements. The accompanying combining statements are supplementary information presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

KPMG LLP

Kansas City, Missouri
September 26, 2003

MISSOURI DEPARTMENT OF TRANSPORTATION

Management's Discussion and Analysis

June 30, 2003

The management of the Missouri Department of Transportation (MoDOT or the Department) provides this discussion and analysis of MoDOT's financial performance during the fiscal year ended June 30, 2003 (FY03). Readers should consider this information in conjunction with the information that is furnished in the financial statements. The comparisons to the prior year are meaningful in explaining MoDOT's financial position and results of operations.

Basic Financial Statements Descriptions

As required by accounting standards generally accepted in the United States of America, this annual report consists of three parts—management's discussion and analysis (this section), the basic financial statements (including notes to the basic financial statements), and other required supplementary information.

The basic financial statements include two kinds of statements that present different views of the Department:

- 1) ***Government-Wide Financial Statements*** report information about MoDOT as a whole using accounting methods similar to those used by private-sector companies by using the economic resources measurement focus and accrual basis of accounting. These statements provide both long-term and short-term information about the Department's overall financial status. Therefore, over time, increases or decreases in the net assets are an indicator of whether the Department's financial health is improving or deteriorating. There are two government-wide statements:
 - The *Statement of Net Assets* includes all of the Department's assets and liabilities.
 - The *Statement of Activities* accounts for all of the current year's revenues and expenses, regardless of when cash is received or paid.
- 2) ***Fund Financial Statements*** provide more detailed information than the government-wide statements about MoDOT's most significant funds—not the Department as a whole. Funds are created by state law and are accounting devices that the state uses to keep track of specific sources of revenue and spending. The Department uses two types of funds:
 - ***Governmental funds***—Most of MoDOT's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that help a reader determine whether there are more or fewer financial resources that can be spent in the near future to finance programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information is provided that explains the differences between them.
 - ***Proprietary funds***—MoDOT uses internal service funds (one kind of proprietary fund) to report activities for the Commission's Self-Insurance Plan and the MoDOT and State Highway Patrol Medical and Life Insurance Plan. Proprietary funds, like the government-wide statements, provide both long- and short-term financial information.

Notes to the basic financial statements are included for the government-wide and fund financial statements that interpret and explain some of the information in the basic financial statements and provide more detailed data.

MISSOURI DEPARTMENT OF TRANSPORTATION

Management's Discussion and Analysis

June 30, 2003

Condensed Information Government-wide Financial Statements

Net Assets

MoDOT's net assets were \$24,395,146,180 at the end of FY03, an increase of \$31 million over the beginning FY03 balance of \$24,363,661,112. The FY02 fund balance was adjusted by a restatement of \$5 million (increase) due to the addition of programs from other state agencies to form the "One-Stop Shop" for motor carrier and railroad operators and overdimension/overweight permitting.

The main component of total assets (97%) is capital assets, which consist of roads, bridges, buildings, land for the roads and bridges, vehicles, and equipment. Long-term liabilities are the largest component (81%) of total liabilities, and is comprised mainly of outstanding bonds issued beginning in 2000 for the construction of roads and bridges.

MoDot's Net Assets (Summarized)

(In millions of dollars)

	<u>FY03</u>	<u>FY02</u>	<u>Incr/(Decr)</u>
Current and other assets	\$ 717	875	(158)
Capital assets, net	<u>24,705</u>	<u>24,543</u>	<u>162</u>
Total assets	<u>\$ 25,422</u>	<u>25,418</u>	<u>4</u>
Long-term liabilities	\$ 836	837	(1)
Other liabilities	<u>191</u>	<u>217</u>	<u>(26)</u>
Total liabilities	<u>\$ 1,027</u>	<u>1,054</u>	<u>(27)</u>
Net assets:			
Invested in capital assets, net of related debt	\$ 23,937	23,968	(31)
Restricted for highway and transportation	403	352	51
Restricted for debt service	<u>55</u>	<u>44</u>	<u>11</u>
Total net assets	<u>\$ 24,395</u>	<u>24,364</u>	<u>31</u>

MISSOURI DEPARTMENT OF TRANSPORTATION

Management's Discussion and Analysis

June 30, 2003

Changes in Net Assets

The main components of revenue are from federal government reimbursements (41%) and fuel taxes (27%). Depreciation of capital assets is the largest expense (50%). Maintenance (29%) and construction (25%) of roads and bridges are other main components of program expenses exclusive of depreciation. Comparison of activities over time can be used as an indicator of a government's financial position and are included in the following section.

MoDot's Statement of Activities (Summarized)

(in millions of dollars)

	<u>FY03</u>	<u>FY02</u>	<u>Incr/(Decr)</u>
Program revenues:			
Licenses, fees, and permits	\$ 273	266	7
Cost reimbursement/misc.	80	60	20
Federal government	767	831	(64)
Other	22	21	1
General revenues:			
Fuel tax	498	496	2
Sales and use tax	178	186	(8)
Other	36	36	—
Total revenues	<u>1,854</u>	<u>1,896</u>	<u>(42)</u>
Program expenses:			
Administration	37	40	(3)
Service operations	54	60	(6)
Maintenance	266	255	11
Construction	223	225	(2)
Multimodal operations	47	51	(4)
Motor carrier services	5	3	2
Interest expense	33	21	12
Other state agencies	165	166	(1)
Insurance	80	75	5
Depreciation	913	993	(80)
Total program expenses	<u>1,823</u>	<u>1,889</u>	<u>(66)</u>
Change in net assets	31	7	24
Net assets, beginning	<u>24,364</u>	<u>24,357</u>	
Net assets, ending	<u>\$ 24,395</u>	<u>24,364</u>	

MISSOURI DEPARTMENT OF TRANSPORTATION

Management's Discussion and Analysis

June 30, 2003

Assessment of Overall Financial Position and Results of Operations

- MoDOT's assets exceeded its liabilities at June 30, 2003 by \$24.4 billion (presented as net assets). Of this amount, \$24 billion was "invested in capital assets, net of related debt." These amounts are virtually unchanged from FY02.
- The cost of all activities this year was \$1.8 billion. Comparisons of activities over time will be indicators of financial position. While the total cost of all activities in the previous year was a comparable \$1.9 billion, there was considerable fluctuation in the individual programs. The most noteworthy increases incurred in the areas of maintenance and debt service.
- The increase in maintenance spending is consistent with the Department's strategic priority to take better care of the assets it owns.
- While maintenance spending increased, most other program areas within the Department decreased.
- Interest expense of \$33 million was for the Department's outstanding bonds for road construction.
- Included in other general revenues is \$13 million classified as donated assets from the fiber optic cable ownership transfer to MoDOT as part of the settlement with Digital Teleport Incorporated.
- Cost reimbursements increased by \$20 million, due to an increase in local entities and other states sharing in the costs of construction.
- The federal government amount decreased because the spike in construction expenditures in FY02 enabled the department to draw down additional federal funds in FY02. As a result, less federal aid was available for reimbursement in FY03.
- The Department did not issue any bonds during FY03. The Missouri Highways and Transportation Commission is authorized to issue bonds for the purpose of highway construction and construction engineering.
- There were no changes to the tax structures that fund MoDOT for FY03.
- Missouri's constitution and statutes require all monies received from highway user fees and taxes be restricted for roads and bridges. Other monies are restricted for use by other transportation modes (aviation, rails, transit, waterways).
- Overall, the financial position of the department improved by \$31 million during FY03, reported as the "change in net assets."

MISSOURI DEPARTMENT OF TRANSPORTATION

Management's Discussion and Analysis

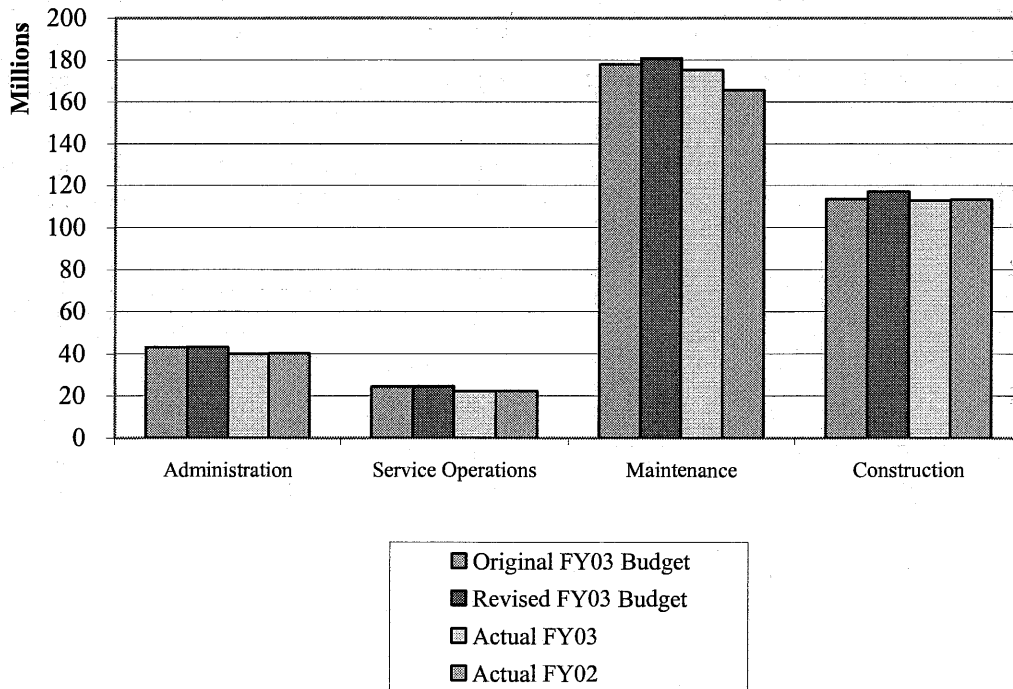
June 30, 2003

Fund Balance Analysis and Availability

At the end of the fiscal year, MoDOT's governmental funds reported a combined fund balance of \$499 million, a decrease of \$142 million over FY02. The significant factor was the inclusion of highway construction bond proceeds in June 2002 in the FY02 final amount. Repayment of bond principal and interest for FY04 totals \$54 million.

Analysis of Budget to Budget and Budget to Actual (Variations from Budgetary Comparison Schedules)

Personal services and fringe benefits expenditures for FY03 were \$8 million more than in FY02. While salaries for administration, service operations, and construction were all slightly lower than the previous year, fringe benefits increased by \$10 million. Most significant were state share contributions for medical insurance increases (\$5.5 million) and one-time funding increases for workers' compensation (\$0.5 million) and medical and life insurance plan deficits (\$3.5 million). Also, the inclusion of motor carrier services increased maintenance personal services expenditures by \$2.5 million.

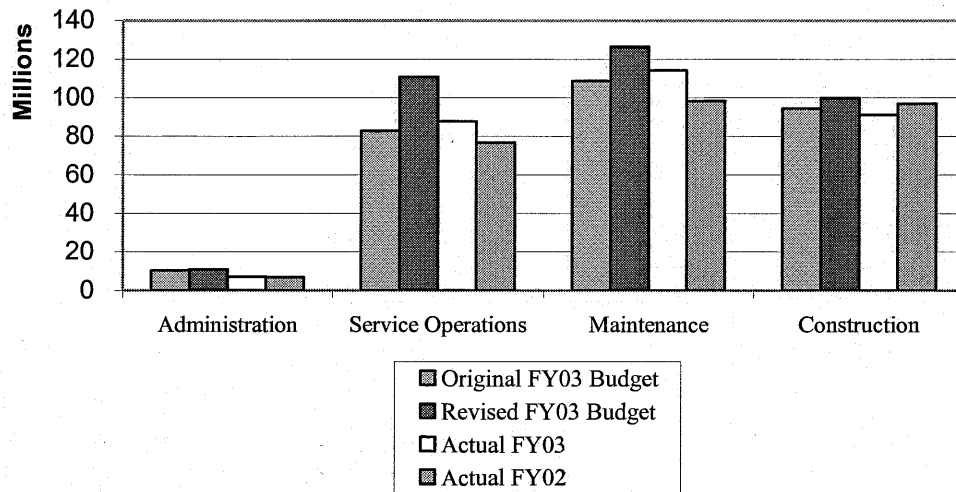


MISSOURI DEPARTMENT OF TRANSPORTATION

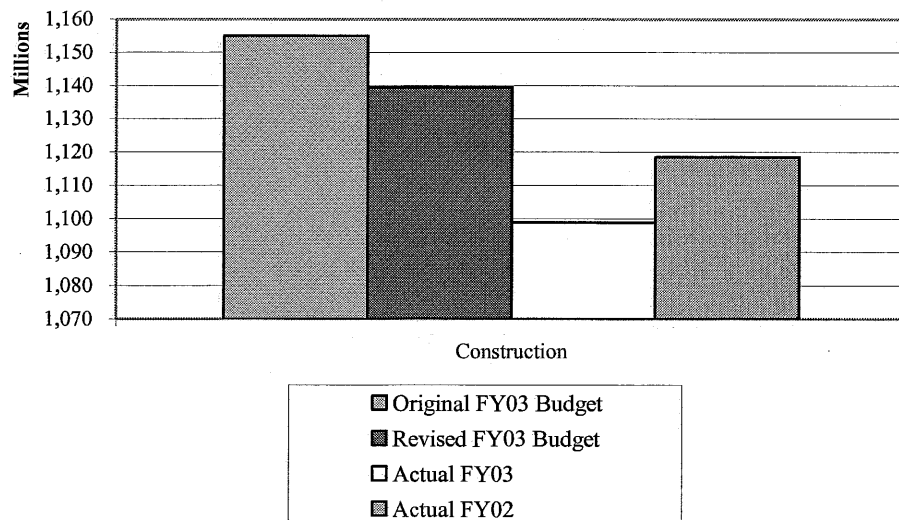
Management's Discussion and Analysis

June 30, 2003

Service operations expense and equipment (E&E), which includes fleet and capital improvements, ended the year under budget by \$23 million. Those amounts have been encumbered and, potentially, budget carryover may be requested to absorb these costs in FY04. Service operations are \$11 million above prior year. In FY02, fleet expenditures were under budget for the year. The encumbrances were made in FY02; actual purchases are reflected in FY03 as the disbursements were made. Maintenance expenditures are \$16 million above prior year. Districts were allocated \$12.0 million more in maintenance expenditures in FY03. The construction expenditures are lower for FY03 because design consultant costs were down \$14 million.



Construction's program specific distribution expenditures are \$40.8 million below the budgeted amount of \$1,139.7 million due to lower-than-projected construction awards in FY02 and FY03.



MISSOURI DEPARTMENT OF TRANSPORTATION

Management's Discussion and Analysis

June 30, 2003

Capital Asset and Debt Administration

Capital Assets

At the end of 2003, the Department had invested \$24.7 billion in capital assets, net of depreciation, including equipment, buildings, facilities, roads, bridges, and land. More detailed information about the Department's capital assets is presented in note 1 to the financial statements. This year's major capital asset additions, deletions, and retirements included (dollars in thousands):

	July 1, 2002 balance, as restated	Additions	Deletions/ retirements	Adjustments	June 30, 2003 balance
Land and improvements	\$ 1,874,356	75,469	(1,125)	1,440	1,950,140
Buildings	145,404	—	(438)	10,166	155,132
Equipment and vehicles	367,347	46,606	(24,597)	(18,599)	370,757
Infrastructure	36,034,319	650,566	(46,767)	—	36,638,118
Construction and infrastructure in progress	2,558,888	1,042,131	(726,035)	(26,059)	2,848,925
Accumulated depreciation	(16,437,257)	(913,227)	67,211	25,348	(17,257,925)
Total	\$ 24,543,057	901,545	(731,751)	(7,704)	24,705,147

Long-term Debt

At the end of 2003, the Department had \$836 million in outstanding long-term debt, including \$630 million in outstanding bonds. More detailed information about the Department's long-term liabilities is presented in note 7 to the financial statements. No new debt was incurred in FY03.

The Department's bonds are rated by S&P and Fitch at AA and Moody's at Aa2. This is the second highest possible rating and has been maintained by the Department since the inception of the bonding program in 2000. The Department is limited by statute to a total debt of \$2.25 billion.

MISSOURI DEPARTMENT OF TRANSPORTATION

Management's Discussion and Analysis

June 30, 2003

Current Conditions Affecting Future Financial Position or Results of Operations

- State highway and road fund revenues are projected to increase 3.2% during FY04 over the original budget for FY03.
- Federal highway fund reimbursements are projected to decrease from approximately \$698.5 million in FY03 to approximately \$554.8 million for FY04. The Department assumes 90% of FY04 federal funding will be released for obligation.
- FY04 construction program awards and payments include increased funding from \$254 million of transportation revenue bonds scheduled for issuance in the fall of 2003.
- Fringe benefits are projected to increase approximately 20% for FY04, primarily due to increasing medical plan costs, workers' compensation costs, and retirement contributions.
- Included in the FY04 budget is the legislatively approved pay increase of \$600 for all state employees earning less than \$40,000 per year. This affects approximately 76% of MoDOT's full-time employees.
- The Department has set aside approximately 1% of payroll (\$2.4 million) for career ladder promotions.
- No inflation increases for expense and equipment were added to the FY04 budget per legislative direction.
- The Division of Highway Safety will be combined into MoDOT effective August 28, 2003, as the result of the governor's executive order.

Contacting the Department's Financial Management

This financial report is designed to provide citizens, taxpayers, customers, investors, and creditors with a general overview of MoDOT's finances and to demonstrate the Department's accountability for the money it receives. Questions about this report or requests for additional financial information should be sent to the Controller's Office, Missouri Department of Transportation, 105 West Capitol Avenue, Jefferson City, MO 65109.

MISSOURI DEPARTMENT OF TRANSPORTATION

Statement of Net Assets

June 30, 2003

Assets		Governmental activities
Cash and investments	\$	422,361,013
Miscellaneous receivables		33,582,570
Due from federal government		58,142,555
Taxes receivable—due from other funds		117,813,219
Restricted cash and investments		54,540,649
Inventory		25,869,388
Loans receivable		2,429,647
Bond issue costs		2,390,356
Capital assets:		
Assets not being depreciated		4,789,712,690
Assets being depreciated, net		19,915,434,557
Total assets		<u>25,422,276,644</u>
Liabilities		
Accounts payable		167,127,003
Contract retainage		16,724,441
Unearned revenue		7,615,458
Long-term liabilities:		
Due within one year		83,863,879
Due in more than one year		751,799,683
Total liabilities		<u>1,027,130,464</u>
Net Assets		
Invested in capital assets, net of related debt		23,937,412,119
Restricted for:		
Debt service		54,540,649
Highway and transportation		403,193,412
Total net assets	\$	<u><u>24,395,146,180</u></u>

See accompanying notes to basic financial statements.

MISSOURI DEPARTMENT OF TRANSPORTATION

Statement of Activities

Year ended June 30, 2003

**Governmental
activities**

Program expenses:	
Administration	\$ 37,040,010
Service operations	53,788,655
Maintenance	265,596,399
Construction	223,028,817
Multimodal operations	46,606,954
Motor carrier services	5,406,848
Interest expense	33,366,177
Other state agency	165,214,964
Article X Hancock refunds	133,209
Self-insurance	15,502,404
Medical and life insurance	64,208,629
Depreciation expense	913,227,264
Total program expenses	<u>1,823,120,330</u>
Program revenue:	
Licenses, fees, and permits	272,755,207
Intergovernmental cost reimbursement/miscellaneous	80,012,711
Interest	96,545
Federal government—operating	24,569,372
Federal government—capital	742,415,423
Employee premiums	21,504,077
Total program revenue	<u>1,141,353,335</u>
Net expense of program	<u>(681,766,995)</u>
General revenues and transfers:	
Fuel tax	497,781,013
Sales and use tax	178,056,824
Investment and interest	16,864,957
Donated assets	13,277,250
(Loss) on sale of assets	(3,117,144)
Transfers related to appropriations	10,389,163
Total general revenues and transfers	<u>713,252,063</u>
Change in net assets	31,485,068
Net assets at beginning of year, as restated	<u>24,363,661,112</u>
Net assets at end of year	<u>\$ 24,395,146,180</u>

See accompanying notes to basic financial statements.

MISSOURI DEPARTMENT OF TRANSPORTATION

Balance Sheet

Governmental Funds

June 30, 2003

Assets	State Highways and Transportation Department Fund	State Road Fund	Nonmajor Governmental Funds	Total Governmental Funds
Cash and investments	\$ 33,181,052	332,452,473	10,003,790	375,637,315
Restricted cash and investments	—	54,540,649	—	54,540,649
Miscellaneous receivables	242,192	31,730,353	71,620	32,044,165
Due from federal government	—	55,576,279	2,566,276	58,142,555
Taxes receivable—due from other funds	101,444,174	16,065,313	303,731	117,813,218
Due from other funds	—	1,388,824	—	1,388,824
Loans receivable	—	—	2,429,647	2,429,647
Inventory	119,772	25,749,616	—	25,869,388
Total assets	\$ 134,987,190	517,503,507	15,375,064	667,865,761
Liabilities and Fund Balance				
Liabilities:				
Vouchers payable	\$ 22,409,546	93,868,217	3,443,518	119,721,281
Contract retainage	—	16,724,441	—	16,724,441
Deferred revenue	—	32,315,743	219,862	32,535,605
Due to other funds	—	—	19,482	19,482
Total liabilities	22,409,546	142,908,401	3,682,862	169,000,809
Fund balances:				
Reserved for:				
Loans receivable	—	—	2,429,647	2,429,647
Inventory	119,772	25,749,616	—	25,869,388
Unreserved	112,457,872	348,845,490	9,262,555	470,565,917
Total fund balance	112,577,644	374,595,106	11,692,202	498,864,952
Total liabilities and fund balance	\$ 134,987,190	517,503,507	15,375,064	667,865,761
Total fund balance from fund statement above			\$	498,864,952
Amounts reported for governmental activities in the statement of net assets are different because:				
Capital assets, net of depreciation of \$913,227,264, used in governmental activities are not financial resources and, therefore, are not reported in the funds.				24,705,147,247
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.				30,244,672
Internal service funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. The assets and liabilities of the internal service funds are included in the statement of net assets.				(5,837,485)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.				(833,273,206)
				\$ 24,395,146,180

See accompanying notes to basic financial statements.

MISSOURI DEPARTMENT OF TRANSPORTATION
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year ended June 30, 2003

	State Highways and Transportation Department Fund	State Road Fund	Nonmajor Funds	Total
Revenues:				
Fuel tax	\$ 497,234,779	84,321	461,913	497,781,013
Sales and use tax	40,601,261	132,602,843	4,852,720	178,056,824
Licenses, fees, and permits	171,573,016	99,401,051	1,781,140	272,755,207
Intergovernmental/cost reimbursements/miscellaneous	2,169,453	69,836,077	3,527,906	75,533,436
Investment and interest	1,801,870	15,281,623	119,060	17,202,553
Federal government	—	742,415,423	24,569,371	766,984,794
Total revenues	<u>713,380,379</u>	<u>1,059,621,338</u>	<u>35,312,110</u>	<u>1,808,313,827</u>
Expenditures:				
Administration	46,823,298	—	—	46,823,298
Service operations	22,208,758	85,896,210	—	108,104,968
Maintenance	173,694,733	119,811,160	—	293,505,893
Construction	112,532,157	1,145,545,501	—	1,258,077,658
Multimodal operations	221,584	9,063	46,464,356	46,695,003
Motor carrier services	3,115,640	—	2,453,805	5,569,445
Debt service	—	60,793,741	—	60,793,741
Article X Hancock refunds	114,475	15,821	2,913	133,209
Other state agency	177,308,440	—	60,406	177,368,846
Total expenditures	<u>536,019,085</u>	<u>1,412,071,496</u>	<u>48,981,480</u>	<u>1,997,072,061</u>
Excess of revenues over (under) expenditures	<u>177,361,294</u>	<u>(352,450,158)</u>	<u>(13,669,370)</u>	<u>(188,758,234)</u>
Other financing sources (uses):				
Long-term debt issued	—	23,229,870	—	23,229,870
Premium on bonds	—	22,154	—	22,154
Proceeds from capital leases	54,707	5,306,830	—	5,361,537
Proceeds from the sale of capital assets	—	2,598,496	—	2,598,496
Transfers in	—	185,501,665	—	185,501,665
Transfers out	(185,501,665)	—	—	(185,501,665)
Transfers related to appropriations	—	—	10,389,163	10,389,163
Total other financing sources (uses)	<u>(185,446,958)</u>	<u>216,659,015</u>	<u>10,389,163</u>	<u>41,601,220</u>
Excess of revenues and other financing sources under expenditures and other uses	<u>(8,085,664)</u>	<u>(135,791,143)</u>	<u>(3,280,207)</u>	<u>(147,157,014)</u>
Fund balances, beginning of year, as restated (note 12)	<u>120,663,308</u>	<u>510,386,249</u>	<u>14,972,409</u>	<u>646,021,966</u>
Fund balances, end of year	<u>\$ 112,577,644</u>	<u>374,595,106</u>	<u>11,692,202</u>	<u>498,864,952</u>

See accompanying notes to basic financial statements.

MISSOURI DEPARTMENT OF TRANSPORTATION

Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to the Statement of Activities

Year ended June 30, 2003

Net change in fund balances—total governmental funds	\$ (147,157,014)
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Amounts reported for governmental activities in the statement of activities
are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$1,088,737,591) exceeded depreciation (\$913,227,264) in the current period.	175,510,327
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Adjustment to capital asset accounting records primarily as a result of inaccuracies in the statewide accounting system process for calculating depreciation when assets were converted through the GASB No. 34 implementation and the Department's determination that it should not report assets purchased by other state agencies using monies from the State Highways and Transportation Fund.	(7,704,242)
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In the statement of activities, only the gain on the sale of the assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the book value of the assets sold.	(5,715,641)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	2,534,280
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Proceeds from the issuance of long-term debt provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which repayments exceeded proceeds.	14,272,640
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(12,853,475)
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Internal service funds are used by management for the medical and life insurance and self-insurance plans. The net revenue (expense) of internal service funds is reported with governmental activities.	12,598,193
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Change in net assets of governmental activities	<u><u>\$ 31,485,068</u></u>
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See accompanying notes to basic financial statements.

MISSOURI DEPARTMENT OF TRANSPORTATION

Statement of Net Assets

Proprietary Funds

June 30, 2003

	Assets	Internal service funds
Cash		\$ 15,346,491
Investments in U.S. securities		31,377,208
Miscellaneous receivables		<u>169,064</u>
Total assets		<u>46,892,763</u>
	Liabilities	
Vouchers payable		1,152,070
Pending self-insurance claims		25,685,655
Deferred revenue		5,324,523
Incurred but not reported claims		<u>20,568,000</u>
Total liabilities		52,730,248
	Net Assets	
Unrestricted net assets (accumulated deficit)		<u>(5,837,485)</u>
Total net assets		<u><u>\$ 46,892,763</u></u>

See accompanying notes to basic financial statements.

MISSOURI DEPARTMENT OF TRANSPORTATION

Statement of Activities

Proprietary Funds

Year ended June 30, 2003

Internal
Service Funds

Operating revenues:	
Insurance premiums:	
Highway workers' compensation	\$ 7,802,847
Highway patrol workers' compensation	1,185,000
Highway fleet vehicle liability	2,556,215
General liability	10,500,000
Contributions:	
State	47,067,876
Member	21,504,077
Other	966,785
Total operating revenues	<u>91,582,800</u>
Operating expenses:	
Program	842,732
Self-insurance claims:	
Highway workers' compensation	4,898,513
Highway patrol workers' compensation	1,531,399
Highway fleet vehicle liability	1,528,609
Highway general liability	6,701,150
Medical and life:	
Insurance premium	4,852,849
Claims	45,744,093
Administrative service	2,046,302
Prescription drugs	11,364,631
Professional fees	142,817
Other	57,937
Total operating expenses	<u>79,711,032</u>
Operating income	<u>11,871,768</u>
Nonoperating revenues:	
Interest income	900,761
Net decrease in fair value of investments	(174,336)
Total nonoperating revenues	<u>726,425</u>
Net income	<u>12,598,193</u>
Net assets (accumulated deficit) at beginning of year	<u>(18,435,678)</u>
Net assets (accumulated deficit) at end of year	<u>\$ (5,837,485)</u>

See accompanying notes to basic financial statements.

MISSOURI DEPARTMENT OF TRANSPORTATION

Statement of Cash Flows—Internal Service Funds

Proprietary Funds

Year ended June 30, 2003

	<u>Internal service funds</u>
Cash flows from operations:	
Receipt from customers	\$ 92,684,541
Payment to suppliers	<u>(77,443,791)</u>
Net cash provided by operating activities	<u>15,240,750</u>
Cash flows from investing activities:	
Sale of investments	22,091,337
Purchase of investments	<u>(31,832,911)</u>
Interest on investments	<u>900,761</u>
Net cash used in investing activities	<u>(8,840,813)</u>
Net increase in cash and cash equivalents	6,399,937
Cash at beginning of year	<u>8,946,554</u>
Cash at end of year	<u>\$ 15,346,491</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 11,871,768
Adjustments to reconcile operating income to net cash provided by operating activities:	
Decrease in receivables	203,878
Decrease in prepaids	117,822
Increase in accounts payable	2,149,419
Decrease in deferred revenue	<u>897,863</u>
Net cash provided by operating activities	<u>\$ 15,240,750</u>
Noncash items impacting recorded assets—decline in fair value of investments	<u>\$ (174,336)</u>

See accompanying notes to basic financial statements.

MISSOURI DEPARTMENT OF TRANSPORTATION

Statement of Fiduciary Net Assets

Fiduciary Funds

June 30, 2003

Assets

Cash and cash equivalents	\$ 27,914,583
Investments	10,815,907
Other	<u>180,660</u>
Total assets	<u><u>\$ 38,911,150</u></u>

Liabilities

Due to other governments	\$ 4,151,117
Advances from other governments	34,758,661
Other	<u>1,372</u>
Total liabilities	<u><u>\$ 38,911,150</u></u>

See accompanying notes to basic financial statements.

MISSOURI DEPARTMENT OF TRANSPORTATION

Notes to Basic Financial Statements

June 30, 2003

(1) Summary of Significant Accounting Policies

The State Highway Department was created in 1913 to act as the state's agent for public roads. The State Highway Commission was created in 1921 with the passage of the Centennial Road Law and was charged with the administration of the network of connecting state highways, including their location, design, construction, and maintenance.

In 1979, the State of Missouri passed a constitutional amendment merging the State Highway Department with the Department of Transportation (the Department). This constitutional amendment gave a newly created Highway and Transportation Commission (the Commission) the authority over all state transportation programs and facilities. The Commission is a bipartisan body of six members appointed by the Governor with the consent of the Senate for a term of six years.

In 1996, by legislative action, the Missouri Highways and Transportation Department became the Missouri Department of Transportation (MoDOT). In 2002, several programs from other state agencies were combined into MoDOT. This was the result of legislative action and the governor's executive order, which created the "One-Stop Shop" for motor carrier and railroad operators and overdimension/overweight permitting.

(a) Financial Reporting Entity

As defined by accounting principles generally accepted in the United States of America (GAAP), the financial reporting entity consists of a primary government, as well as its component units, which are legally separate organizations for which the primary government is financially accountable. Financial accountability is defined as:

- 1) Appointment of a voting majority of the component unit's board and either (a) the primary government's ability to impose its will, or (b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government; or
- 2) Fiscal dependency on the primary government.

Based on the above criteria, certain legally separate organizations involved in transportation-related projects, such as the Missouri Transportation Finance Corporation, Highway 179 Transportation Corporation, Fulton 54 Transportation Corporation, and the Wentzville Transportation Corporation, are considered component units. The financial statements of these legally separate organizations are not included herein. Because the Department is not legally separate from the State of Missouri, the financial statements of the Department are included in the financial statements of the State of Missouri. The State of Missouri's Comprehensive Annual Financial Report may be obtained by writing to the State of Missouri.

(b) Basis of Presentation and Fund Structure

Government-wide Statements. The government-wide statement of net assets and statement of activities report the overall financial activities of the Department, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. The financial activities of the Department consist only of governmental activities, which are primarily supported by taxes and intergovernmental revenues.

MISSOURI DEPARTMENT OF TRANSPORTATION

Notes to Basic Financial Statements

June 30, 2003

The Department Creates a Single Function—Transportation. The statement of activities demonstrates the degree to which the direct expenses of that function are offset by program revenues. Direct expenses are those that are clearly identifiable with the function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of the program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements. The fund financials statements provide information about the Department's funds, including its fiduciary funds. Separate statements for each fund category—governmental, proprietary and fiduciary—are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The Department reports the following major governmental funds:

State Highways and Transportation Department Fund—This fund is established by Section 226.200, RSMo. to receive revenues derived from the use of state highways. This fund pays the costs incurred to collect that revenue, to administer the Highway and Transportation Commission and the Department of Transportation, to administer and enforce any state motor vehicle laws or traffic regulations, and to provide other related functions.

State Road Fund—This fund is constitutionally established to receive monies from the motor vehicle sales tax, the federal government, transfers from the State Highways and Transportation Department Fund and the State's Motor Fuel Tax Fund, and any other revenues held by the Department not required to be in another fund. Disbursements consist of costs incurred to construct, improve, and maintain the state highway system.

The Department reports the following additional funds types:

Internal Service Funds—These funds account for the financing of goods or services provided to other departments on a cost-reimbursed basis. These funds are used to account for medical and life insurance coverage of Department personnel and the State Highway Patrol along with the Self-Insurance activities of the Department, including workers' compensation for the State Highway Patrol.

Agency Fund—These funds account for monies held on behalf of various political subdivisions and other interested parties and will be used to reimburse the Department for expenditures incurred by the Department on behalf of the previously mentioned parties and to collect and administer international registration license fees and fuel taxes payable to contiguous states, Canadian provinces, and to cities and counties.

(c) ***Basis of Accounting***

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the

MISSOURI DEPARTMENT OF TRANSPORTATION

Notes to Basic Financial Statements

June 30, 2003

related cash flows take place. Nonexchange transactions in which the Department gives (or receives) value without directly receiving (or giving) equal value in exchange include fuel taxes, sales and use taxes, grants, entitlements, and donations. On an accrual basis, revenues from fuel, sales, and use taxes are recognized in the fiscal year in which the underlying exchange transaction occurs. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements imposed by the provider have been met.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available (within 60 days). Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the State of Missouri (State) considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Sales taxes, licenses, and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgment, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital-asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital lease are recorded as other financing sources.

(d) Statement of Cash Flows

Pooled cash and cash equivalents include cash and short-term investments.

(e) Inventories

Inventories are valued at cost using the weighted average method. Inventories are recorded as expenditures when purchased and expenses when consumed.

(f) Interfund Transactions

The Department has the following types of interfund transactions between Department funds and funds of other State agencies:

Reimbursements—Repayments from the funds responsible for particular expenditures or expenses to the funds that initially paid for them. Reimbursements are reported as expenditures in the reimbursing fund and as a reduction of expenditures in the reimbursed fund.

Transfers—Flows of assets (such as cash or goods) without equivalent flows of assets in return and without a requirement for repayment. In governmental funds, transfers are reported as other financing uses in the funds making transfers and as other financing sources in the funds receiving transfers. In proprietary funds, transfers are reported after nonoperating revenues and expenses.

(g) Capital Assets

Capital assets, which include property, buildings, equipment, and infrastructure assets, are reported in the governmental activities column in the government-wide financial statements. Infrastructure assets are those assets that are normally immovable and of value only to the state, such as roads, bridges, streets and sidewalks, drainage systems, lighting systems, and similar items. The

MISSOURI DEPARTMENT OF TRANSPORTATION

Notes to Basic Financial Statements

June 30, 2003

Department capitalizes assets with an expected useful life greater than one year with a cost of greater than \$1,000 for equipment and greater than \$15,000 for buildings and land improvements. No dollar threshold is set for land and infrastructure. Donated capital assets are recorded at their fair market value at the date of the donation.

Capital assets utilized in the governmental funds are recorded as expenditures in the governmental fund financial statements. Depreciation expense is recorded in the government-wide financial statements.

Capital assets, including infrastructure, are depreciated on the straight-line method over the asset's estimated useful life. There is no depreciation recorded for land and construction in progress. Generally, estimated useful lives are as follows:

Vehicles, machinery, and equipment	1 to 20 years
Buildings and other improvements	10 to 50 years
Infrastructure	12 to 50 years

(h) *Deferred Revenue*

The Department has recorded deferred revenue in the State Road Fund relating to long-term receivables.

(i) *Compensated Absences*

Under the terms of the Department's personnel policy, Department employees are granted 10 to 14 hours of annual leave per month. Additionally, certain employees can accrue a maximum of 240 hours of compensatory time for unpaid overtime. Employees have accrued annual leave and compensatory time available amounting to \$28,938,810 as of June 30, 2003 that is recorded in the government-wide financial statements. Employees are not paid for accumulated sick leave upon retirement or termination.

(j) *Bond Premiums, Discounts, and Issuance Costs*

In the government-wide financial statements, bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums on debt issuances are reported as other financing sources and discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

(k) *Reservations of Fund Equity*

Reserves, restrictions, and designations are reported in the various funds to indicate that a portion of the fund balance or net assets is restricted by law or contract for a specific purpose.

MISSOURI DEPARTMENT OF TRANSPORTATION

Notes to Basic Financial Statements

June 30, 2003

(l) *Net Assets*

In the government-wide and proprietary fund financial statements, equity is displayed in three components as follows:

Invested in Capital Assets, Net of Related Debt—This consists of capital assets, net of accumulated depreciation, less the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted—This consists of net assets that are legally restricted by outside parties or by law through constitutional provisions or enabling legislation. When both restricted and unrestricted resources are available for use, generally it is the State's policy to use restricted resources first, and then unrestricted resources when they are needed.

Unrestricted—This consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

(m) *Use of Estimates*

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, including accrued liabilities for compensated absences and claims and judgments. Actual results could differ from those estimates.

(n) *Related Party Transactions*

The Department sells petroleum products to various other state agencies. Significant sales related to the Missouri Highway Patrol were \$1,385,471 during the fiscal year.

(2) *Cash and Investments*

Missouri Statute 30.270 RSMo. 1994 authorizes the Department, with certain restrictions, to deposit funds in open accounts, time deposits, certificates of deposit, repurchase agreements, and United States Treasury bills and notes. Statutes also require collateral pledged to have a fair market value equal to 100% of the funds on deposit, less insured amounts, and the underlying investments must be assigned for the benefit of the Department. Collateral securities must be held by the Department or an independent third-party and must be of the kind prescribed by State statutes and approved by the State Treasurer of Missouri.

Pooled cash and investments include amounts pooled in the State Treasury. Interest income earned on cash and investments pooled in the State Treasury is allocated to the funds based on the respective investment and cash balances.

Effective July 1, 2003, the Department elected to early adopt the revisions of Governmental Accounting Standards Board Statement (GASB) No. 40, *Deposit and Investment Risk Disclosures, an amendment of GASB Statement No. 3*. This statement establishes and modifies disclosure requirements related to investment risks.

MISSOURI DEPARTMENT OF TRANSPORTATION

Notes to Basic Financial Statements

June 30, 2003

Cash—At June 30, 2003, the carrying value of the Department's deposits at the State Treasury and third-party financial institutions were \$430,177,963 and \$17,714,699, respectively. The bank balance was \$24,690,432, of which \$173,067 was covered by federal depository insurance and \$24,517,365 was covered by collateral held by a third-party bank under a joint custody agreement. Monies were also deposited in overnight repurchase agreements held by the dealer bank's trust department in the Department's name.

Investments—The Department's investments are reported at fair value. At June 30, 2003, the Department had \$41,403,108 of unregistered U.S. Treasury securities for which the securities are held by a financial institution's trust department in the Department's name.

At June 30, 2003, the Department's deposits and investments consist of the following:

	State Highways and Transportation Department Fund	State Road Fund	Nonmajor funds	Internal Service Funds	Local fiduciary agency funds
Pooled cash and investments:					
Cash and investments pooled in the State Treasury	\$ 33,181,052	332,452,473	10,003,790	—	—
Cash deposited with banks	—	—	—	14,495,837	3,218,862
Government securities	—	—	—	31,377,208	—
Repurchase agreements	—	—	—	850,654	—
	<u>\$ 33,181,052</u>	<u>332,452,473</u>	<u>10,003,790</u>	<u>46,723,699</u>	<u>3,218,862</u>
Interest receivable	<u>\$ 239,140</u>	<u>1,182,526</u>	<u>12,730</u>	<u>154,077</u>	<u>43,790</u>
Restricted assets:					
Cash and investments pooled in the State Treasury	\$ —	54,540,649	—	—	—
Government securities	—	—	—	—	10,025,900
Repurchase agreements	—	—	—	—	25,485,728
	<u>\$ —</u>	<u>54,540,649</u>	<u>—</u>	<u>—</u>	<u>35,511,628</u>

At June 30, 2003, the Department's investments had the following maturities:

Investment type	Fair value	Investment maturities (in years)			
		Less than 1	1	2	3 or more
Repurchase agreements	\$ 26,336,382	26,336,382	—	—	—
U.S. Treasury securities	201,188	—	201,188	—	—
U.S. agency securities	41,201,920	1,014,060	6,022,085	15,338,600	18,827,175
Total	<u>\$ 67,739,490</u>	<u>27,350,442</u>	<u>6,223,273</u>	<u>15,338,600</u>	<u>18,827,175</u>

MISSOURI DEPARTMENT OF TRANSPORTATION

Notes to Basic Financial Statements

June 30, 2003

(3) Taxes

Tax revenues for the year ended June 30, 2003 were as follows:

	State Highways and Transportation Department Fund	State Road Fund	Nonmajor funds	Total
Fuel tax	\$ 497,234,779	84,321	461,913	497,781,013
Vehicle sales and use tax	40,601,261	132,602,843	4,852,720	178,056,824
	<u>\$ 537,836,040</u>	<u>132,687,164</u>	<u>5,314,633</u>	<u>675,837,837</u>

Taxes are remitted by the Missouri Department of Revenue to the Department subsequent to collection. The Department receives the following taxes:

- *Fuel tax* is paid on the sale of gasoline, aviation fuel used in propelling aircraft with reciprocating engines, and special fuel (primarily diesel fuel and liquefied petroleum gas) authorized by Sections 142.010 – 142.350; 155.080 and 155.090; and 142.362 – 142.621, RSMo., respectively. The tax rate on gasoline and special fuels is \$0.17 per gallon. The Department receives 75% of the first \$0.11 and 70% of the next \$0.06. The remaining tax is distributed to cities and counties. The tax rate on aviation fuel is \$0.09 per gallon.
- *Vehicle sales and use taxes* are paid on the purchase of any new or used motor vehicle or trailer, on vehicles purchased out of state and titled in Missouri, or a tax on the sale of a vehicle between individuals within Missouri. The taxes are authorized by Sections 144.070 and 144.440, RSMo., respectively. The general sales tax rate is 3% and Proposition C tax (RSMo. 144.701) is 1% for a total of 4%. Of the 4%, the Department receives 75% of 50% of the tax. The remaining 25% is distributed to cities and counties. The Department receives 100% of the 3% general use tax and 75% of the Proposition C use tax, and the other 25% is distributed to cities and counties.

(4) Interfund Transactions

Transfers for the year are:

	Transfers in	Transfers out
State Highways and Transportation Department Fund	\$ —	185,501,665
State Road Fund	185,501,665	—
	<u>\$ 185,501,665</u>	<u>185,501,665</u>

The Department is required by State statute to transfer any unspent monies in the State Highways and Transportation Department Fund to the State Road Fund.

MISSOURI DEPARTMENT OF TRANSPORTATION

Notes to Basic Financial Statements

June 30, 2003

Amounts due to/from other funds at year end were as follows:

	Due to	Due from
Nonmajor funds	\$ —	19,482
State Road Fund	1,388,824	—
Local Agency Fund	—	1,369,342
	<u>\$ 1,388,824</u>	<u>1,388,824</u>

The due to/from the State Road Fund and the Local Agency Fund represent reimbursements for expenditures incurred by the State Road Fund for which the Local Agency Fund had yet to reimburse at June 30, 2003. The due to/from the State Road Fund and nonmajor funds represent reimbursements for expenditures related to modes of transportation other than highways.

(5) Receivables

Receivables at June 30, 2003 were as follows:

Type	State Highways and Transportation Department Fund	State Road Fund	Nonmajor funds	Internal Service Funds	Total	Due within a year
Federal Government	\$ —	55,576,279	2,566,276	—	58,142,555	58,142,555
Taxes	101,444,174	16,065,313	303,731	—	117,813,218	117,813,218
Reimbursements	3,052	29,521,687	57,803	—	29,582,542	14,609,906
Interest	239,140	2,208,666	13,817	154,077	2,615,700	2,615,700
Contributions	—	—	—	14,987	14,987	14,987
Notes	—	—	2,429,647	—	2,429,647	317,973
Total	<u>\$ 101,686,366</u>	<u>103,371,945</u>	<u>5,371,274</u>	<u>169,064</u>	<u>210,598,649</u>	<u>193,514,339</u>

The Federal Government receivable represents funds to be received on federally participating projects. Notes receivable represent loans to the cities and counties for nonhighway-related projects.

MISSOURI DEPARTMENT OF TRANSPORTATION

Notes to Basic Financial Statements

June 30, 2003

(6) Capital Assets

Changes in capital assets are summarized below:

	Balances July 1, 2002, as restated	Additions	Deletions/ retirements	Adjustments	Balances June 30, 2003
Non-depreciable capital assets:					
Land	\$ 1,865,019,778	75,469,446	1,062,865	1,361,687	1,940,788,046
Construction in progress	271,734,969	100,693,218	75,469,446	(11,976,852)	284,981,889
Infrastructure in progress	2,287,153,068	941,438,089	650,565,715	(14,082,687)	2,563,942,755
Total nondepreciable capital assets	4,423,907,815	1,117,600,753	727,098,026	(24,697,852)	4,789,712,690
Depreciable capital assets:					
Land improvements	9,336,596	—	61,657	77,414	9,352,353
Buildings	145,403,731	41	438,342	10,166,979	155,132,409
Equipment	208,427,392	35,574,779	11,600,654	(6,951,018)	225,450,499
Vehicles	158,919,383	11,031,464	12,996,395	(11,648,488)	145,305,964
Infrastructure	36,034,319,298	650,565,715	46,766,820	—	36,638,118,193
Total depreciable capital assets	36,556,406,400	697,171,999	71,863,868	(8,355,113)	37,173,359,418
Accumulated depreciation—land improvements	5,222,507	264,047	11,926	3,472	5,478,100
Accumulated depreciation—buildings	53,760,789	4,511,525	217,173	(9,193,163)	48,861,978
Accumulated depreciation—equipment	129,078,562	18,317,053	9,363,478	(12,640,482)	125,391,655
Accumulated depreciation—vehicles	77,656,580	12,792,615	10,851,695	(3,518,550)	76,078,950
Accumulated depreciation—infrastructure	16,171,538,974	877,342,024	46,766,820	—	17,002,114,178
Total accumulated depreciation	16,437,257,412	913,227,264	67,211,092	(25,348,723)	17,257,924,861
Total depreciable capital assets, net	20,119,148,988	(216,055,265)	4,652,776	16,993,610	19,915,434,557
Total capital assets	\$ 24,543,056,803	901,545,488	731,750,802	(7,704,242)	24,705,147,247

During 2003, certain immaterial adjustments were made to the Department's capital asset accounting records. The adjustments primarily resulted from inaccuracies in the statewide accounting system's process of calculating depreciation when assets were converted through the GASB No. 34 implementation and the Department's determination that it should not report assets purchased by other state agencies using monies from the State Highways and Transportation Fund.

MISSOURI DEPARTMENT OF TRANSPORTATION

Notes to Basic Financial Statements

June 30, 2003

(7) Long-term Debt

Long-term debt activity for the year ended June 30, 2003 was as follows:

Type of issue	Beginning balance	Additions	Reductions	Discount accreted	Ending balance	Due within a year
State road bonds	\$ 646,390,000	—	15,935,000	—	630,455,000	23,455,000
State road bond accrued interest	9,680,780	31,241,471	28,041,459	—	12,880,792	12,880,792
Advances from other governments	12,851,166	9,953,425	1,000,000	—	21,804,591	1,525,686
Advances from component units	65,217,941	13,763,475	14,898,185	449,687	64,532,918	12,422,131
Component unit accrued interest	—	321,829	242,193	—	79,636	79,636
Federal Highway Administration loan	15,000,000	—	—	—	15,000,000	—
Capital leases	28,673,670	5,361,537	11,053,016	—	22,982,191	6,858,514
Claims and judgments payable	18,372,780	10,290,829	1,176,500	—	27,487,109	5,497,422
Compensated absences	28,622,559	21,460,949	21,144,698	—	28,938,810	21,144,698
	<u>\$ 824,808,896</u>	<u>92,393,515</u>	<u>93,491,051</u>	<u>449,687</u>	824,161,047	<u>83,863,879</u>
Add premium					11,502,515	
					<u>\$ 835,663,562</u>	

The detail of long-term debt at June 30, 2003 follows:

Series A 2000 State Road Fund bonds for the acceleration of projects in the Department's five-year plan due in annual installments of \$6,610,000 to \$20,315,000 beginning February 1, 2002; interest varying from 4.30% to 5.63%	\$ 234,875,000
Series A 2001 State Road Fund bonds for financing of projects in conformity with the priorities established in the 1992 plan developed by the Department due in annual installments of \$7,110,000 to \$15,605,000 beginning February 1, 2003; interest varying from 2.25% to 5.125%	192,580,000
Series A 2002 State Road Fund bonds for financing of projects in conformity with the priorities established in the 1992 plan developed by the Department due in annual installments of \$7,435,000 to \$15,830,000 beginning February 1, 2004; interest varying from 3.00% to 5.25%	203,000,000
	<u>\$ 630,455,000</u>

MISSOURI DEPARTMENT OF TRANSPORTATION

Notes to Basic Financial Statements

June 30, 2003

Advances from other governments:

County of St. Charles to provide for a location, needs, and cost study of a river crossing on Hwy. 40 between St. Louis County and St. Charles County; principal due on July 1, 2020; no interest will accrue	\$ 474,879
City of St. Charles to provide for the forward funding and acceleration of an auxiliary lane on Rte. 70 at Rte. 94; principal due on December 31, 2006 or the month that the I-70/94 interchange project is awarded, whichever occurs first; no interest will accrue	1,358,000
Missouri Development Finance Board to upgrade Route 40 and develop the Route DD and Route 40 interchange; principal due on August 1, 2004; no interest will accrue	7,700,000
City of Mexico, Missouri for the widening of Route 22; principal due in April 2004; no interest will accrue	952,686
City of Independence to provide for the improvement within the city limits; principal due on July 1, 2003; no interest will accrue	573,000
City of O'Fallon to accelerate a portion of the Route 364 (Page Avenue Extension) project, which consists of constructing a south outer road parallel to Route N between Winghaven Blvd. to Missouri Rte. K; principal due July 1, 2015; no interest will accrue	8,835,335
City of Monett to make improvements to Route 60 in Barry County from 1.2 miles east of Route 37 to 1.8 miles east of Route 37; principal due in 2010; no interest will accrue	1,120,691
City of O'Fallon to extend Bryan Road from Feise Road to Route N across the Route 364 (Page Avenue Extension) right-of-way; principal due on December 31, 2008; no interest will accrue	790,000
	<u>\$ 21,804,591</u>

MISSOURI DEPARTMENT OF TRANSPORTATION

Notes to Basic Financial Statements

June 30, 2003

Advances from component units:

Missouri Transportation Finance Corp. (MTFC) for the construction of the Cape Girardeau Bridge; principal payments due through August 1, 2003; principal payment is \$5,000,000; interest at the average rate earned on the State Road Fund for the six months prior to the payment due date (2.05% as of June 30, 2003)	\$ 5,000,000
Highway 179 Corporation for the construction of Highway 179; principal payments due through August 1, 2008; principal payments range from \$2,140,734 to \$3,905,736	17,645,756
210 Highway Transportation Development District for the widening of 210 Highway; principal payments begin July 2006 and conclude July 2007; principal payments range from \$965,504 to \$2,375,000; no interest will accrue	6,622,686
Springfield, Missouri State Highway Improvement Corporation for widening and improvements to the West Bypass; principal payments due through August 2005; principal payments range from \$3,667,000 to \$5,000,000; no interest will accrue	13,667,000
Fulton 54 Transportation Corporation for the right-of-way acquisition and utility adjustments for Route 54 and HH interchange; principal payments will occur on September 1, 2004, 2005, 2006, and 2007; no interest will accrue	7,695,000
Wentzville Parkway Transportation Corporation for the expansion and reconstruction of the I-70 interchange and Wentzville Parkway; principal payment due July 1, 2006; no interest will accrue	8,849,812
MTFC for right-of-way and construction-related cost for two additional lanes on Highway 63; principal and interest payments will occur yearly July 1, 2004 through 2008; the interest rate is 3.232%	5,052,664
	<u>\$ 64,532,918</u>
Federal Highway Administration loan; for the extension of Page Avenue in St. Charles; principal payment due as early as January 1, 2008; no interest will accrue	\$ 15,000,000

MISSOURI DEPARTMENT OF TRANSPORTATION

Notes to Basic Financial Statements

June 30, 2003

Capital lease obligations:

1998 lease-purchase of three copy machines, due in monthly installments of \$632 through November 2003; interest varying from 9.6% to 16.02%	\$ 4,336
2000 lease-purchase of two John Deere 770CH Motorgraders due in monthly installments of \$2,625 through August 2008; interest at 5.85%	239,914
2000 lease-purchase of 15 John Deere 770CH Motorgraders, due in monthly installments of \$19,688 through January 2008; interest at 5.85%	1,701,826
2000 lease-purchase of four copy machines, due in monthly installments of \$266 to \$375 through December 2004; interest varying from 0% to 22.69%	15,956
2001 lease-purchase of 12 copy machines, due in monthly installments of \$82 to \$4,212 through December 2006; interest varying from 0% to 38.48%	298,172
2002 lease-purchase of eight copy machines, due in monthly installments of \$138 to \$916 through November 2007; interest varying from 0% to 9.8%	93,634
2002 lease-purchase of 475 dump trucks, due in yearly installments of \$7,438,277 through June 2007; interest at 3.83%	20,582,143
2003 lease-purchase of six copy machines, due in monthly installments varying from \$170 to \$410 through February 2006; interest varying from 3.55% to 24.29%	46,210
	<u>\$ 22,982,191</u>

MISSOURI DEPARTMENT OF TRANSPORTATION

Notes to Basic Financial Statements

June 30, 2003

Annual debt service requirements to maturity:

Fiscal year	Principal due	Interest due	Total due
State road bonds:			
2004	\$ 23,455,000	31,085,649	54,540,649
2005	24,375,000	30,125,549	54,500,549
2006	25,340,000	29,153,644	54,493,644
2007	26,400,000	28,106,656	54,506,656
2008 – 2012	150,765,000	121,008,514	271,773,514
2013 – 2017	192,355,000	79,519,406	271,874,406
2018 – 2022	187,765,000	25,047,746	212,812,746
	<u>\$ 630,455,000</u>	<u>344,047,164</u>	<u>974,502,164</u>
Advances from other governments:			
2004	\$ 1,525,686	—	1,525,686
2005	7,700,000	—	7,700,000
2006	—	—	—
2007	1,358,000	—	1,358,000
2008 – 2012	1,910,692	—	1,910,692
2013 – 2017	8,835,335	—	8,835,335
2018 – 2022	474,878	—	474,878
	<u>\$ 21,804,591</u>	<u>—</u>	<u>21,804,591</u>
Advances from component units:			
2004	\$ 12,422,131	763,993	13,186,124
2005	10,986,815	524,697	11,511,512
2006	12,415,622	403,117	12,818,739
2007	16,336,809	314,936	16,651,745
2008 – 2012	12,371,541	341,672	12,713,213
	<u>\$ 64,532,918</u>	<u>2,348,415</u>	<u>66,881,333</u>
Capital leases:			
2004	\$ 6,858,514	1,064,999	7,923,513
2005	7,225,503	653,411	7,878,914
2006	7,454,019	368,207	7,822,226
2007	203,907	79,085	282,992
2008	1,101,488	48,803	1,150,291
2009 – 2013	138,760	3,287	142,047
	<u>\$ 22,982,191</u>	<u>2,217,792</u>	<u>25,199,983</u>

On May 30, 2000, the governor approved House Bill 1742, which permits the General Assembly to authorize the Commission to issue up to \$2 billion in bonds in fiscal years 2001 to 2006. No more than \$500 million may be issued in any one year. The Commission has authorized the sale of \$254 million in bonds in fiscal year 2004.

MISSOURI DEPARTMENT OF TRANSPORTATION

Notes to Basic Financial Statements

June 30, 2003

(8) Risk Management

The Department is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Various lawsuits against the Department arise incident to the Department's normal operations. These include workers' compensation, vehicle liability, general liability, inverse condemnation, and contractor suits. It is the policy of the Department not to purchase commercial insurance, but to manage its risks internally by setting aside assets for the settlement of certain claims in its Internal Service Fund, the Self-Insurance Fund. The Self-Insurance Fund services claims for workers' compensation, vehicle liability, and general liability. Per Section 537.610, RSMo., the liability of the State and its public entities on claims within the scope of Sections 537.600 to 537.650 shall not exceed \$2,145,322 for all claims arising out of a single accident or occurrence and shall not exceed \$321,790 for any one person in a single accident or occurrence, as established by the Missouri Department of Insurance, except for those claims governed by the provisions of the Missouri Workers' Compensation Law, Chapter 287 RSMo.

	<u>Beginning of fiscal year liability</u>	<u>Current claims and estimate changes</u>	<u>Claim payments</u>	<u>Balance at fiscal year-end</u>
2003	\$ 11,305,546	14,659,671	14,263,217	11,702,000
2002	8,073,015	23,629,280	20,396,749	11,305,546

Liabilities for incurred losses related to workers' compensation and general and vehicle liability claims are reported at their discounted value, assuming an investment yield of 4%.

Liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Estimated claims payable represents the Department's determination of the expected losses to be realized on known claims pending. Department personnel estimate the claims liability based on prior claims experience. Estimated unreported claims represent expected losses or claims incurred but not reported. The unreported claims liability is established from data provided by an actuary.

Inverse condemnation and contractor suits are paid from the State Road Fund. Liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. As noted in note 7, the Department has approximately \$27,487,000 in claims and judgments payable related to inverse condemnation and contractor suits.

(9) Insurance Plan

The Highway Employees' and Highway Patrol Insurance Plan (the Medical and Life Plan) Internal Service Fund accounts for the medical coverage provided on a self-insured basis and life insurance benefits, underwritten by a commercial insurance company, for Department employees and members of the Missouri State Highway Patrol. Changes to the plan are required to be approved by the Commission.

MISSOURI DEPARTMENT OF TRANSPORTATION

Notes to Basic Financial Statements

June 30, 2003

Incurred but not reported claims of \$8,866,000 are reported in the Medical and Life Plan as of June 30, 2003. These medical and prescription drug reserves are estimated based upon lag reports using an 18-month run-off.

	<u>Beginning of fiscal year liability</u>	<u>Current claims and estimate changes</u>	<u>Claim payments</u>	<u>Balance at fiscal year end</u>
2003	\$ 9,200,000	57,108,724	57,442,724	8,866,000
2002	8,583,000	38,112,066	37,495,066	9,200,000

(10) Defined Benefit Pension Plan

Membership in the Highway and Transportation Employee's and Highway Patrol Retirement System (the Retirement System) was established and is administered by a board of trustees in accordance with the Revised Statutes of Missouri. The Retirement System is a single-employer, defined-benefit, public-employee, retirement system of the State of Missouri.

As the plan includes employees outside of the Department, the Retirement System is disclosed in accordance with the requirements of a cost-sharing, multiemployer, public-employee retirement plan. The Retirement System provides retirement, death, and disability benefits to full-time employees (defined as at least 1,000 hours to be worked annually) with benefits vesting after five years of creditable service. Contributions to the Retirement System are 23.29% of covered payroll. The Department made the required contributions of \$52,497,099, \$53,575,901, and \$55,780,997 in 2003, 2002, and 2001, respectively. Any amendments to the plan are established by the Retirement System board of trustees.

Employees do not contribute to the Retirement System. The Retirement System's funding policy provides for actuarially determined employer contributions using the entry-age normal cost method on a closed group basis (consisting of normal cost and amortization of any unfunded accrued liabilities over a thirty-three-year period). Actuarially determined rates, expressed as percentages of annual covered payroll, provide for amounts sufficient to fund those benefits designated by State statute to be funded in advance. Contributions for the special consultant fees are funded on an actuarial basis.

The Retirement System issues its own stand-alone financial report. Copies may be requested from:

Highway and Transportation Employees' and
Highway Patrol Retirement System
P.O. Box 1930
Jefferson City, Missouri 65102

(11) Commitments and Contingencies

(a) Unemployment Benefits

The Department is subject to the Missouri Employment Security Law. Department employees who qualify are entitled to benefit payments during periods of unemployment. The Department is required to reimburse the Employment Division for benefit payments made to its former employees. The Department has identified no practical method of estimating the amount of future benefit

MISSOURI DEPARTMENT OF TRANSPORTATION

Notes to Basic Financial Statements

June 30, 2003

payments that may be made to former employees for wage credits earned prior to June 30, 2003. Consequently, this potential obligation is not included in the accompanying basic financial statements. Total reimbursements made by the Department during the fiscal year were \$772,571.

(b) Construction Commitments

Construction awards outstanding for both state and federal participating projects at June 30, 2003 amounted to approximately \$981,415,000. The federal portion of this total was approximately \$759,488,000 or 77%.

(c) Federal Funding

The Department receives federal grants that are subject to review and audit by federal grantor agencies. This could result in requests for reimbursements to the grantor agency for any expenditures that are disallowed under grant terms. The Department believes that such disallowances, if any, would be immaterial.

(d) Operating Leases

The Department is committed under leases for buildings, as well as various office and maintenance equipment. Rental expenditures for the year ended June 30, 2003 amounted to \$3,478,672. Future minimum lease payments for these leases are as follows:

Year ending:	
2004	\$ 1,315,419
2005	802,494
2006	530,925
2007	38,359
2008	201
	<u>\$ 2,687,398</u>

(e) Hancock Amendment

The Missouri Constitution bars the general assembly from imposing taxes that, together with all other revenues of the state, excluding federal funds, exceed a specified revenue limit. The revenue limit is calculated by dividing total state revenues by the personal income of Missouri in 1979 multiplied by the personal income of Missouri in either the calendar year prior to the calendar year in which appropriations for the fiscal year for which the calculation is being made or the average of personal income of Missouri in the previous three calendar years, whichever is greater. In the event total state revenues exceed the revenue limit by 1% or more, excess revenues are refunded to taxpayers. As of June 30, 2003 no liability has been accrued for these refunds as total state revenues are not expected to exceed the revenue limit.

MISSOURI DEPARTMENT OF TRANSPORTATION

Notes to Basic Financial Statements

June 30, 2003

(f) Litigation

The Department is defending litigation brought by certain levee districts seeking to assess the Department for levee improvements. The Department contends that, among other defects, the demanded payments from the State Road Fund are unconstitutional and, even if proper, the levee districts are improperly calculating the alleged benefits to the Department. Currently, the Department is unable to predict the ultimate outcome of these cases, but intends to defend its position vigorously, where possible.

(12) Restatements

Effective July 1, 2002, several programs from other state agencies were combined into MoDOT. This occurred as the result of legislative action and the governor's executive order, which created the "One-Stop Shop" for motor carrier and railroad operators and overdimension/overweight permitting. The effect of this consolidation was an increase to fund balance in the governmental funds as of June 30, 2002 as follows:

	Governmental activities	Nonmajor governmental funds
Net assets/fund balance at June 30, 2002, as previously reported	\$ 24,358,315,750	9,815,252
Addition of programs from other state agencies	<u>5,345,362</u>	<u>5,157,157</u>
Net assets/fund balance at June 30, 2002, as restated	<u>\$ 24,363,661,112</u>	<u>14,972,409</u>

MISSOURI DEPARTMENT OF TRANSPORTATION

State Highways and Transportation Department Fund

Required Supplementary Information—Budgetary Comparison

Year ended June 30, 2003

	Budgeted amounts		Actual	Variance between final budget and actual
	Original	Final		
Budgetary fund balance, July 1, 2002	\$ 41,663,834	41,663,834	41,663,834	—
Resources (inflows):				
Fuel taxes	490,693,473	490,693,473	497,253,725	6,560,252
Vehicle sales and use taxes	38,547,904	38,547,904	39,966,970	1,419,066
Licenses, fees, and permits	167,231,596	166,931,596	167,577,802	646,206
Investment and interest	3,935,368	3,935,368	2,172,175	(1,763,193)
Intergovernmental/cost reimbursements/misc.	4,251,200	4,251,200	2,151,756	(2,099,444)
Federal administration	5,490,468	—	—	—
Amount available for appropriation	751,813,843	746,023,375	750,786,262	4,762,887
Charges to appropriations (outflows):				
Administration:				
Personal service	24,819,751	24,531,450	22,856,444	1,675,006
Fringe	18,268,103	18,748,976	17,074,431	1,674,545
Expense and equipment	10,355,646	10,878,001	7,059,532	3,818,469
Maintenance:				
Personal service	118,943,290	118,943,290	114,495,825	4,447,465
Fringe	56,057,487	58,934,030	58,304,518	629,512
Construction:				
Personal service	79,024,085	79,824,505	77,703,630	2,120,875
Fringe	34,365,375	37,187,376	34,950,433	2,236,943
Service operations:				
Personal service	16,918,593	16,918,593	15,119,156	1,799,437
Fringe	7,542,065	7,745,867	7,114,264	631,603
Multimodal operations:				
Personal service	162,996	162,996	159,096	3,900
Fringe	54,379	67,932	61,360	6,572
Motor carrier services:				
Personal service	2,944,503	2,944,503	2,501,820	442,683
Expense and equipment	1,511,349	1,636,064	613,819	1,022,245
Article X Hancock refunds	114,475	114,475	114,475	—
Appropriations spent by other state agencies	188,965,241	189,868,876	176,088,470	13,780,406
Total charges to appropriations	560,047,338	568,506,934	534,217,273	34,289,661
Transfers to State Road Fund	153,220,609	153,220,609	185,501,665	
Budgetary fund balance, June 30, 2003	\$ 38,545,896	24,295,832	31,067,324	

See accompanying independent auditors' report.

MISSOURI DEPARTMENT OF TRANSPORTATION

State Road Fund

Required Supplementary Information—Budgetary Comparison

Year ended June 30, 2003

	Budgeted amounts		Actual	Variance between final budget and actual
	Original	Final		
Budgetary fund balance, July 1, 2002	\$ 535,912,527	535,912,527	535,912,527	—
Resources (inflows):				
Fuel taxes	87,104	87,104	83,549	(3,555)
Vehicle sales and use taxes	136,776,885	136,776,885	131,219,072	(5,557,813)
Licenses, fees, and permits	87,295,904	87,295,904	93,092,346	5,796,442
Investment and interest	12,064,632	12,064,632	10,079,156	(1,985,476)
Intergovernmental/cost reimbursements/miscellaneous	77,748,800	77,748,800	103,058,546	25,309,746
Federal government	693,057,532	698,548,000	739,347,206	40,799,206
Bond sales proceeds	250,000,000	—	22,154	22,154
Amount available for appropriation	<u>1,792,943,384</u>	<u>1,548,433,852</u>	<u>1,612,814,556</u>	<u>64,380,704</u>
Charges to appropriations (outflows):				
Maintenance/preservation:				
Expense and equipment	107,265,723	124,886,104	113,722,648	11,163,456
Construction:				
Expense and equipment	94,508,080	100,051,848	91,264,169	8,787,679
Contracts	1,084,053,469	1,068,814,678	1,010,636,155	58,178,523
ROW purchases	70,891,000	70,891,000	88,265,655	(17,374,655)
Service operations:				
Expense and equipment	82,829,787	110,857,130	87,821,915	23,035,215
Multimodal operations:				
Expense and equipment	15,000	15,000	8,995	6,005
Bond principal and interest payments	54,880,000	43,976,456	43,976,457	(1)
Article X Hancock refunds	<u>15,821</u>	<u>15,821</u>	<u>15,821</u>	<u>—</u>
Total charges to appropriations	<u>1,494,458,880</u>	<u>1,519,508,037</u>	<u>1,435,711,815</u>	<u>83,796,222</u>
Transfers from Highway Fund	<u>153,220,609</u>	<u>153,220,609</u>	<u>185,501,665</u>	
Budgetary fund balance, June 30, 2003	<u>\$ 451,705,113</u>	<u>182,146,424</u>	<u>362,604,406</u>	

See accompanying independent auditors' report.

MISSOURI DEPARTMENT OF TRANSPORTATION

Required Supplementary Information—Budget Basis to GAAP Reconciliation and Disclosure

Year ended June 30, 2003

The following is a reconciliation to the difference between the Department's budgetary basis and accounting principles generally accepted in the United States of America (GAAP) basis:

	State Highways and Transportation Department Fund	State Road Fund
Fund balance, budgetary basis	\$ 31,067,324	362,604,406
Receivables	101,686,366	103,371,945
Due from other funds	—	1,388,824
Inventories	119,772	25,749,616
Accounts payable	(22,409,546)	(93,868,217)
Retainages payable	—	(16,724,441)
Deferred revenues	—	(32,315,743)
Investment market value adjustment	2,113,728	24,388,716
Fund balance, GAAP basis	\$ 112,577,644	374,595,106

Budgetary Principles and Presentation

The budgetary comparison schedules are presented on the Department's budgetary basis of accounting. Under this basis, revenues are recognized when cash is received. Expenditures are recognized for cash disbursements made during the fiscal year and for adjustments made in the lapse period, as defined by the Office of Administration.

The legal authority for approval of the Department's budget and amendments for all funds, except the State Road Fund, rests with the State Legislature. The budgeted amounts lapse at the end of the lapse period. Approval of the State Road Fund budget and amendments is given by the Commission. The fund level is the legal level of control for the State Road Fund.

The Department develops its budget through processes involving each of its 10 districts and the headquarters business units. Upon Commission approval, the legislative budget request is sent to the Office of Administration (OA) on October 1st which, in turn, is forwarded to the governor's office. The governor develops a recommendation regarding the budget and forwards both the budget request and the recommendation to the Legislature. The Legislature generally acts on budget matters during January through May. The governor has veto authority and generally acts on those matters in June. The Department distributes funds available internally based on district and the headquarters units' input and feedback. This is then submitted to the Commission for approval.

See accompanying independent auditors' report.

MISSOURI DEPARTMENT OF TRANSPORTATION
Combining Balance Sheet—Nonmajor Governmental Funds
June 30, 2003

	General Revenue and MO Federal Fund	State Transportation Fund	Aviation Trust Fund	State Transportation Assistance Revolving Fund	MCSAP Division Transportation Federal Fund	Grade Crossing Safety Fund	Railroad Expense Fund	Light Rail Safety Fund	Total
Assets									
Cash and investments	\$ 430,004	370,234	3,478,515	556,294	156,769	4,827,077	184,897	—	10,003,790
Miscellaneous receivables	22,085	—	11,249	2,568	—	—	35,718	—	71,620
Due from Federal Government	2,384,881	—	—	—	181,395	—	—	—	2,566,276
Taxes receivable	—	161,541	142,190	—	—	—	—	—	303,731
Due from other funds	—	—	—	—	—	—	—	—	—
Loans receivable	—	—	—	2,429,647	—	—	—	—	2,429,647
Total assets	<u>\$ 2,836,970</u>	<u>531,775</u>	<u>3,631,954</u>	<u>2,988,509</u>	<u>338,164</u>	<u>4,827,077</u>	<u>220,615</u>	<u>—</u>	<u>15,375,064</u>
Liabilities and Fund Equity									
Vouchers payable	\$ 2,400,900	2,091	899,873	—	119,381	1,934	19,339	—	3,443,518
Deferred revenue	219,862	—	—	—	—	—	—	—	219,862
Due to other funds	12,964	—	6,518	—	—	—	—	—	19,482
Total liabilities	<u>2,633,726</u>	<u>2,091</u>	<u>906,391</u>	<u>—</u>	<u>119,381</u>	<u>1,934</u>	<u>19,339</u>	<u>—</u>	<u>3,682,862</u>
Fund Balance									
Reserve for loans receivable	—	—	—	2,429,647	—	—	—	—	2,429,647
Unreserved fund balance	203,244	529,684	2,725,563	558,862	218,783	4,825,143	201,276	—	9,262,555
Total fund balance	<u>203,244</u>	<u>529,684</u>	<u>2,725,563</u>	<u>2,988,509</u>	<u>218,783</u>	<u>4,825,143</u>	<u>201,276</u>	<u>—</u>	<u>11,692,202</u>
Total liabilities and fund balance	<u>\$ 2,836,970</u>	<u>531,775</u>	<u>3,631,954</u>	<u>2,988,509</u>	<u>338,164</u>	<u>4,827,077</u>	<u>220,615</u>	<u>—</u>	<u>15,375,064</u>

See accompanying independent auditors' report.

MISSOURI DEPARTMENT OF TRANSPORTATION
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances—
Nonmajor Governmental Funds
Year ended June 30, 2003

	General Revenue and MO Federal Fund	State Transportation Fund	Aviation Trust Fund	State Transportation Assistance Revolving Fund	MCSAP Division Transportation Federal Fund	Grade Crossing Safety Fund	Railroad Expense Fund	Light Rail Safety Fund	Total
Revenues:									
Fuel tax	\$ —	—	461,913	—	—	—	—	—	461,913
Sales and use tax	—	1,655,130	3,197,590	—	—	—	—	—	4,852,720
License, fees, and permits	—	—	—	—	—	1,204,109	576,914	117	1,781,140
Intergovernmental/cost reimbursements/ miscellaneous	3,527,850	—	—	—	—	—	56	—	3,527,906
Investment and interest	—	26	—	119,013	—	21	—	—	119,060
Federal Government	23,784,924	—	—	—	784,447	—	—	—	24,569,371
Total revenues	27,312,774	1,655,156	3,659,503	119,013	784,447	1,204,130	576,970	117	35,312,110
Expenditures:									
Multimodal operations	34,888,492	4,383,271	7,192,593	—	—	—	—	—	46,464,356
Motor carrier services	—	—	—	—	792,739	1,020,972	640,094	—	2,453,805
Article X Hancock refunds	7	—	1,395	43	—	877	590	1	2,913
Other state agency	—	—	32,532	5,528	—	11,517	10,713	116	60,406
Total expenditures	34,888,499	4,383,271	7,226,520	5,571	792,739	1,033,366	651,397	117	48,981,480
Excess of revenues under expenditures	(7,575,725)	(2,728,115)	(3,567,017)	113,442	(8,292)	170,764	(74,427)	—	(13,669,370)
Other financing sources—transfers related to appropriations	7,586,460	2,802,703	—	—	—	—	—	—	10,389,163
Excess of revenues and other financing sources over (under) expenditures	10,735	74,588	(3,567,017)	113,442	(8,292)	170,764	(74,427)	—	(3,280,207)
Fund balance, beginning of year, as restated	192,509	455,096	6,292,580	2,875,067	227,075	4,654,379	275,703	—	14,972,409
Fund balance, end of year	\$ 203,244	529,684	2,725,563	2,988,509	218,783	4,825,143	201,276	—	11,692,202

See accompanying independent auditors' report.

MISSOURI DEPARTMENT OF TRANSPORTATION

Schedule 5

Combining Balance Sheet—All Internal Service Funds

June 30, 2003

Assets	Highway Employees' and Highway Patrol Insurance Plan	Self- Insurance	Total
Cash	\$ 14,752,394	594,097	15,346,491
Investments	—	31,377,208	31,377,208
Miscellaneous receivables	14,892	154,172	169,064
Total assets	\$ 14,767,286	32,125,477	46,892,763
Liabilities and Net Assets			
Liabilities:			
Vouchers payable	\$ 1,132,387	19,683	1,152,070
Pending self-insurance claims	—	25,685,655	25,685,655
Deferred revenue	5,324,523	—	5,324,523
Incurred but not reported claims	8,866,000	11,702,000	20,568,000
Total liabilities	15,322,910	37,407,338	52,730,248
Net assets unrestricted—accumulated deficit	(555,624)	(5,281,861)	(5,837,485)
Total liabilities and net assets	\$ 14,767,286	32,125,477	46,892,763

See accompanying independent auditors' report.

MISSOURI DEPARTMENT OF TRANSPORTATION

Combining Statement of Revenues, Expenses, and Changes
in Net Assets (Accumulated Deficit)—All Internal Service Funds

Year ended June 30, 2003

	Highway Employees' and Highway Patrol Insurance Plan	Self- Insurance	Total
Operating revenues:			
Insurance premiums:			
Highway workers' compensation	\$ —	7,802,847	7,802,847
Highway patrol workers' compensation	—	1,185,000	1,185,000
Highway fleet vehicle liability	—	2,556,215	2,556,215
General liability	—	10,500,000	10,500,000
Contributions:			
State	47,067,876	—	47,067,876
Member	21,504,077	—	21,504,077
Other	631,176	335,609	966,785
Total operating revenues	69,203,129	22,379,671	91,582,800
Operating expenses:			
Program	—	842,732	842,732
Self-insurance claims:			
Highway workers' compensation	—	4,898,513	4,898,513
Highway patrol workers' compensation	—	1,531,399	1,531,399
Highway fleet vehicle liability	—	1,528,609	1,528,609
Highway general liability	—	6,701,150	6,701,150
Medical and life:			
Insurance premium	4,852,849	—	4,852,849
Claims	45,744,093	—	45,744,093
Administrative service	2,046,302	—	2,046,302
Prescription drugs	11,364,631	—	11,364,631
Professional fees	142,817	—	142,817
Other	57,937	—	57,937
Total operating expenses	64,208,629	15,502,403	79,711,032
Operating income	4,994,500	6,877,268	11,871,768
Nonoperating revenues:			
Interest income	124,770	775,991	900,761
Net decrease in fair value of investments	—	(174,336)	(174,336)
Total nonoperating revenues	124,770	601,655	726,425
Net income	5,119,270	7,478,923	12,598,193
Net assets (accumulated deficit) at beginning of year	(5,674,894)	(12,760,784)	(18,435,678)
Net assets (accumulated deficit) at end of year	\$ (555,624)	(5,281,861)	(5,837,485)

See accompanying independent auditors' report

MISSOURI DEPARTMENT OF TRANSPORTATION
Combining Statement of Cash Flows—All Internal Service Funds
Year ended June 30, 2003

	Highway Employees' and Highway Patrol Insurance Plan	Self- insurance	Totals
Cash flows from operations:			
Receipts from customers	\$ 70,240,217	22,444,324	92,684,541
Payment to suppliers	(64,559,147)	(12,884,644)	(77,443,791)
Net cost provided by operating activities	5,681,070	9,559,680	15,240,750
Cash flows from investing activities:			
Sale of investments	—	22,091,337	22,091,337
Purchase of investments	—	(31,832,911)	(31,832,911)
Interest on investments	124,770	775,991	900,761
Net cash provided by (used in) investing activities	124,770	(8,965,583)	(8,840,813)
Net increase in cash	5,805,840	594,097	6,399,937
Cash at beginning of year	8,946,554	—	8,946,554
Cash at end of year	\$ 14,752,394	594,097	15,346,491
Cash flows from operating activities:			
Operating income	\$ 4,994,500	6,877,268	11,871,768
Adjustments to reconcile operating income to net cash provided by (used in) operating loss activities:			
Decrease in receivables	139,225	64,653	203,878
Decrease in prepaid expenses	117,822	—	117,822
(Decrease) increase in accounts payable	(468,340)	2,617,759	2,149,419
Decrease in deferred revenue	897,863	—	897,863
Net cash provided by operating activities	\$ 5,681,070	9,559,680	15,240,750
Noncash items impacting recorded assets:			
Decline items impacting recorded assets— decline in fair value of investments	\$ —	(174,336)	(174,336)

See accompanying independent auditors' report.

MISSOURI DEPARTMENT OF TRANSPORTATION

Combining Balance Sheet—All Fiduciary Funds

June 30, 2003

Assets	Local fund	Base State Registration Fund	International Fuel Tax Agreement Fund	International Fuel Tax Agreement Bond Fund	International Registration Plan Fund	Total
Cash and cash equivalents	\$ 24,695,721	159,019	1,189,084	29,386	1,841,373	27,914,583
Investments	10,025,900	—	597,734	175,069	17,204	10,815,907
Other	37,040	182	92,170	144	51,124	180,660
Total assets	\$ 34,758,661	159,201	1,878,988	204,599	1,909,701	38,911,150
Liabilities and Net Assets						
Liabilities:						
Due to other governments	\$ —	159,156	1,878,142	204,566	1,909,253	4,151,117
Advances from other governments	34,758,661	—	—	—	—	34,758,661
Other	—	45	846	33	448	1,372
Total liabilities	\$ 34,758,661	159,201	1,878,988	204,599	1,909,701	38,911,150

See accompanying independent auditors' report.